

**Needham Finance Committee
Minutes of Meeting of September 9, 2015**

The meeting of the Finance Committee was called to order by the Chair, Louise Miller, at approximately 7:00 pm in the Great Plain Room at the Town Hall.

Present from the Finance Committee:

Louise Miller, Chair; Richard Zimbone, Vice Chair

Members: Barry Coffman, John Connelly (arrived 7:15 pm) Ken Lavery, Richard Lunetta, Richard Reilly, Carol A. Smith-Fachetti

Others present:

Kate Fitzpatrick, Town Manager

David Davison, Assistant Town Manager/Finance Director

Dan Gutekanst, Superintendent of Schools

Anne Gulati, Director of School Financial Operations

Steve Popper, Director of Construction and Renovation

George Kent, Permanent Public Building Committee

Hank Haff, Department of Public Facilities, Project Manager

Connie Barr, Chair, School Committee

Susan Neckes, Vice Chair, School Committee

Julie Stevens, Finance Committee Appointee to Youth Commission

Don Walter, Architect, Dore and Whittier,

Michele Rogers, Project Manager, Dore and Whittier

Citizen Requests

There were no requests to address the Committee.

Approval of Minutes of Prior Meetings

MOVED: By Mr. Reilly that the minutes of the meetings of August 25, 2015 and June 24, 2015, and of the executive sessions of June 22, 2011, April 25, 2012, September 5, 2012, March 26, 2014, and September 3, 2014 be approved as distributed. Mr. Lunetta seconded the motion. The motion was approved by a vote of 7-0. (Mr. Connelly had not yet arrived.)

Youth Commission Update

Ms. Stevens updated the Committee on the changes in staffing and services in Youth Services made possible by recent budget increases. She stated that the Youth Services department works closely with the Schools to provide social services to youth. Mr. Zimbone asked Ms. Stevens to encourage the Youth Services management to ask for additional funds for any unmet needs. Mr. Reilly asked if other towns have services that Needham does not offer. Ms. Stevens stated that Youth Services Director Jon Mattelman pilots many new programs, and other towns tend to base programs on Needham's programs. Mr. Lunetta stated that he has been the liaison to this department, and that it does much great work and secures grant funding in addition to its

operating budget from the Town. Ms. Miller thanked Ms. Stevens for her service to the Town as the Finance Committee's appointee.

Town Manager Budget Consultation

Ms. Fitzpatrick stated that for FY17, she will ask departments to request level service budgets, and to document any inflation. She stated that this will be a difficult budgeting year. She stated that any increased services must be requested as a performance budget. She stated that there will be increases in services in public safety departments due to the new hotel, the new TripAdvisor operations, and additional housing units at Charles River Landing. She stated that the Town would like to have an additional ambulance consistently available.

She stated that the Special Town Meeting will have an article with a new funding mechanism: a stabilization fund with money from additional revenue from new growth. The fund would provide a source for projects that cannot be funded through debt service in the operating budget because of the 3% limit, but are not items which should be funded with an override. Examples of these types of projects are the proposed improvements to Fire Station 2 and improvements needed at the DPW. Ms. Miller stated that in the budget process it would be helpful for the Committee to see what the specific consequences of budget cuts would be. In response to a question from Mr. Zimbone, Ms. Fitzpatrick stated that the review process for projects funded with the new stabilization fund would be the same. She stated that the Town administration will develop criteria for the Board of Selectmen, and will prepare an illustration of how a \$5 million project would be funded. Mr. Davison stated that new growth is expected to be higher than usual for several years, then will be dropping again. He stated that if the percentage of the budget spent on debt service is increased to provide for these types of projects, the Town will not be able to sustain the expenses after the initial years. Mr. Coffman noted that there will be a time when the TripAdvisor TIF agreement reaches the point where there will be significant new growth revenue.

Finance Director – Pro Forma

Mr. Davison presented the FY17-FY21 pro forma containing expectations of revenue and expense budgets for next five years. He stated that there is a \$2.5 million deficit for FY17. He stated that a deficit is typical at this stage, and that, by law, the approved budget must be balanced. He discussed the changes in projections for FY17 departmental budgets. He stated that the departmental budgets are shown to increase 4.9% which is the same amount shown for FY17 in the previous pro forma. He stated that there is a more significant increase in Townwide expenses for FY17 due to three factors: higher than expected increases in health insurance, an increase in OPEB costs which include health insurance benefits, and a decrease in the rate of return of retirement assets.

Mr. Davison stated that expected core revenues for FY17 are more optimistic than originally projected. He noted that the level of free cash is now expected to be higher than originally expected, in the range of \$4.5-\$5.5 million.

Mr. Lunetta asked if the increasing cost of health insurance could be mitigated. Mr. Davidson stated that the issue is not correctable in the next few months, but they are exploring options. He

stated that changes need to be bargained with unions, and that change is slow. Mr. Reilly asked how the retirement board made the decision to lower the expected rate of return. Mr. Davidson stated that the Board met with the Finance Department, and had an actuarial assessment done to see the impact of a change. They also get guidance from the state. He stated that the Board is created by statute and consists of 2 elected members, one appointed by the Board of Selectmen, the Town Treasurer, and those members appoint a 5th member.

High School Construction Project

Ms. Miller stated that the Committee has received the High School Café memo, as well as cost estimates. She stated that there have been changes to the scope and cost of the cafeteria project since it was presented to Town Meeting in May. Ms. Barr stated that there is a recognized need for additional space for both the cafeteria and core academics. She stated that the goal is to optimize use of the space, which has led to proposed changes to help manage the space needs at the High School. The cost increases have resulted from an increase in technology and the addition of a movable wall. She stated that the changes would not offer meaningful support to the need for classroom space, but will provide needed additional space for conferences and other needs. Mr. Gutekanst stated that the memo makes three points supporting the changes: increased capacity, improved circulation, and strengthening programs at the school. He stated that the projected cost has increases from the \$1.8 million discussed at Town Meeting to \$2.6 million. He stated that there is \$153K from food service funds that can be used for the project. He stated that they are looking for additional ways to minimize the costs. He stated that in addition to increases in technology and the moveable partition, the project costs include a high contingency. Mr. Connelly stated that the three points made in the memo were all considered in the spring, and that it is important to reconsider the original project proposed in the spring to contain costs. Mr. Popper stated that the partition was not considered in the spring, and it is considered an enhancement of the space, so they are not considering pulling it out from the project. Ms. Miller stated that the real question is whether \$300K is better spent on the cafeteria or for other space. Mr. Gutekanst stated that the partition is now being considered for the value added.

Mr. Zimbone stated that the most recent capital improvement plan has many other projects funded within the 3% debt service. An additional \$800K for this project would be difficult to afford in that context. He encouraged them to minimize the extra cost, and stated that the project should not be considered in isolation. He stated that if the loud speaker/technology changes actually address a safety issue, they should be done immediately and not as part of a larger project next year. Ms. Miller noted that the Committee is not arguing about the need for a cafeteria expansion, but is asking for the project to be managed within the funds available. Ms. Barr stated that they are committed to bringing costs down, but they need to consider the best way to meet needs. Mr. Kent stated that the contingency is high, and when costs are more clearly known, he expects to be able to knock \$150K off of the budget. In response to a question from Mr. Coffman, Mr. Gutekanst stated that the additional scope of this project would not diminish the needs for additional classrooms, but will complement core needs and provide needed testing space.

Hillside School Project Update

Mr. Walter described the process of narrowing the project down to a short list of viable options for addressing the need to renovate or replace the Hillside School. He stated that the preliminary design program was submitted to the MSBA on September 3. The next step is to develop the schematics for the preferred option to submit to the MSBA on December 2. Ms. Rogers stated that to rebuild Hillside at the same site, the best option would require pushing back into the hill, as well as the purchase of additional parcels, one of which is not available. She stated that there would be a need to create swing space to house the school during construction. She stated that the gym and cafeteria are undersized at the High Rock School, which would need to be addressed to accommodate a project there. She stated that the Central Ave. site is tight, but buildable. The building would need to be 3 stories, though would appear as two stories from the street because of the downhill elevation. The building there could meet academic requirements, though play space would be compromised. Ms. Fitzpatrick stated that there are 7 parcels to purchase, and 6 are owned by one owner. She stated that the Town is negotiating for acquisition. She stated that the MSBA requires good faith negotiation for the next step in the process. She stated that to move forward on schedule the Town would need to own the property by mid-2016. Mr. Handel stated that they are far along in negotiations, and he is confident the Town can meet the schedule. Mr. Haff stated that the MSBA recommended that there is a second option.

Mr. Connelly asked if replacement of fields was included in costs for options at DeFazio field where the field space is used during construction. Mr. Popper stated that the fields would be reconditioned. In response to a question, Mr. Kent stated that the construction cost was \$500/square foot, based on consultation with a cost estimator, looking at what it would cost to develop a site. Mr. Zimbone stated that the difference between building at De Fazio and on Central Ave was the costs of land acquisition, redistricting, and field construction. Mr. Reilly asked about costs to the DPW if DeFazio is used. Mr. Haff stated that they are holding off on studying the DPW until the Hillside project is sited. Mr. Kent stated that there will be additional work to the parking lots at DeFazio which is an incremental cost but will add value.

Ms. Miller asked that the Selectmen provide a financing plan for the purchase of property once there is an agreement as to the price.

Finance Committee Updates

The Committee anticipates meeting three times in October to address Special Town Meeting warrant articles.

Adjourn

MOVED: By Mr. Coffman that the Finance Committee meeting be adjourned, there being no further business. Mr. Lunetta seconded the motion. The motion was approved by a vote of 8-0 at approximately 10:05 p.m.

Documents: Town of Needham General Fund Revenue and Expense FY2016 – FY2021 Pro Forma, September 8, 2015 (Preliminary); Memorandum From Daniel Gutekanst, To: School Committee, Selectmen, Finance Committee, PPBC, Dated: Septemberr 8, 2015, Re: Needham High School Café Project; Needham High Expansion – 2015 Design Development Budget and

Schematic Design Budget; Town of Needham Special Town Meeting Warrant for November 2, 2015 (09/04/15 draft.)

Respectfully submitted,

Louise Mizgerd
Staff Analyst

Approved September 30, 2015